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EMPLOYMENT CHANGES IN NEBRASKA AND NEARBY STATES, 1982-1984

The number of persons on nonagriculture payrolls in Nebraska increased from 610,400 in May-June of 1982 to 629,900 for the same two months in 1984, a gain of approximately 3.2 percent. While this growth was better than the record for the plains states--2.4 percent--it was less than the 4.5 percent nationwide gain.

This article reviews changes in employment as reflected in nonagriculture payrolls over the period May-June 1982 through May-June 1984. Payroll data are used as they provide a consistent set of data for Nebraska and surrounding states. Unfortunately, the May-June 1984 data are the most recent consistent data available.

The article examines employment in the plains region--Iowa, Nebraska, Kansas, Missouri, Wisconsin, Minnesota, North and South Dakota--and in the neighboring states of Colorado and Wyoming.

The period of analysis is May-June 1982 compared with the same two months of 1984. Somewhat more recent data are available for some states; these were not used because the limited data reduced the number of states for comparison.

Determination of the period of analysis always has an impact upon results. In this case, an effort has been made to minimize this effect by selecting numbers common to all states and examining only nonagriculture employment. Altering the beginning and/or the ending data affects results, a point the reader is urged to keep in mind.

Table 1*
Total Employment
May-June 1982 and May-June 1984
(in thousands)

State	May-June 1982	May-June 1984	Average Change
Nebraska	610.4	629.9	3.2%
Kansas	930.8	945.1	1.5%
Iowa	1,041.4	1,039.1	-0.2%
Missouri	1,935.0	1,964.2	1.5%
Minnesota	1,734.1	1,823.4	5.1%
South Dakota	235.3	246.7	4.9%
North Dakota	253.8	253.8	0.0%
Colorado	1,316.3	1,363.6	3.6%
Wyoming	224.4	208.6	-7.1%
PLAINS STATES	6,740.6	6,902.1	2.4%

*All tables in this issue are from the U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings.*

OVERVIEW

Employment in the United States increased 4.5 percent from May-June 1982 through the same period of 1984. The plains region failed to keep pace with national gains, with a recorded increase of 2.4 percent. Minnesota (with a 5.1 percent gain) and South Dakota (with a 4.9 percent increase) were the only plains states to better the national average. Nebraska recorded a 3.2 percent gain, while Kansas and Missouri registered 1.5 percent jumps. Iowa, however, had a lower level of employment in May and June of 1984 than during the same period of 1982 (Table 1 and Chart 1).

Nebraska neighbors outside the plains area recorded substantially different employment experiences over the two year period. Colorado recorded a 3.6 percent gain in employment. On the other hand, Wyoming employment decreased 7.1 percent over the same interval. Colorado, with its more diversified economy, has managed to add a number of jobs, while Wyoming remains mired in the recession. Wyoming's dependence upon the price of oil and coal has undoubtedly depressed this state's economy.

EMPLOYMENT BY SECTOR

When total employment is disaggregated by sector, interesting differences are uncovered. Different recovery rates from the 1981-1982 recession show clearly in the manufacturing employment component. This is typical of a recovery situation where employment in manufacturing returns more rapidly than service employment, for example, since cuts in manufacturing employment are generally more severe during a recession.

Data in Table 2 summarize employment by sector for the various states for the period May-June 1982 compared with May-June 1984. Nationally manufacturing employment increased 3.2 percent from 19.0 million to 19.7 million. Among plains states, manufacturing employment increased from 855,000 to 888,000, a rise of 3.8 percent.

There was a substantial variation, however, in manufacturing employment among the plains states. South Dakota led all plains states with a 13.6 percent increase in manufacturing employment, followed by Minnesota with a 5.9 percent gain.

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Table 2
Employment by Sector by State
May-June 1982 and May-June 1984
(in thousands)

	May-June 1982	May-June 1984	% Change
NEBRASKA			
Mining & Construction	23.9	23.8	-0.4%
Manufacturing	87.3	90.9	4.1%
Services	499.2	515.3	3.2%
KANSAS			
Mining & Construction	58.8	59.9	1.9%
Manufacturing	169.6	177.2	4.5%
Services	702.5	708.1	0.8%
IOWA			
Mining & Construction	39.5	43.9	11.3%
Manufacturing	211.0	208.2	-1.3%
Services	791.0	787.0	-0.5%
MISSOURI			
Mining & Construction	84.5	84.3	-0.3%
Manufacturing	410.2	420.7	2.6%
Services	1,440.4	1.459.3	1.3%
MINNESOTA			
Mining & Construction	74.9	84.0	12.1%
Manufacturing	347.6	368.2	5.9%
Services	1,311.6	1,371.2	4.5%
SOUTH DAKOTA			
Mining & Construction	10.9	11.6	6.4%
Manufacturing	25.1	28.5	13.6%
Services	199.3	206.7	3.7%
NORTH DAKOTA			
Mining & Construction	26.9	23.8	-11.4%
Manufacturing	14.7	15.3	3.7%
Services	212.2	214.7	1.2%
COLORADO			
Mining & Construction	124.1	123.4	0.5%
Manufacturing	184.0	187.6	2.0%
Services	1,008.3	1,052.6	4.4%
WYOMING			
Mining & Construction	56.9	47.5	-16.6%
Manufacturing	9.1	8.1	-11.0%
Services	158.5	153.1	-3.4%
PLAINS STATES			
Mining & Construction	234.8	247.0	5.2%
Manufacturing	855.2	888.1	3.8%
Services	3,715.7	3,802.9	2.3%
UNITED STATES			
Mining & Construction	5,219.0	5,411.0	3.5%
Manufacturing	19,044.0	19,661.0	3.2%
Services	66,233.0	69,502.5	4.7%

(continued from page 1)

(Table 3). South Dakota, of course, has a very small manufacturing base so that a small increase has a substantial impact. Minnesota, on the other hand, has one of the largest manufacturing employment bases among the plains states and it did very well during this two year period May-June 1982 through May-June 1984.

Table 3
Percentage Change in Manufacturing Employment
May-June 1982 Compared to May-June 1984

State	Percent
Nebraska	4.1%
Kansas	4.5%
Iowa	-1.3%
Missouri	2.6%
Minnesota	5.9%
South Dakota	13.6%
North Dakota	3.7%
Colorado	2.0%
Wyoming	−11.0%
PLAINS STATES	3.8%
UNITED STATES	3.2%

Nebraska recorded a 4.1 percent increase, while Kansas gained 4.5 percent. Iowa had fewer manufacturing employees in 1984 than in 1982.

Colorado and Wyoming present some interesting changes in manufacturing employment over this interval. Manufacturing employment in Colorado increased by 3,600 or nearly 2.0 percent from May-June 1982 through May-June 1984. Colorado had one of the strongest economies in terms of employment gains during the past two years, but these gains were primarily in the nonmanufacturing sector.

Wyoming recorded an 11.0 percent decrease in manufacturing employment over this interval. Wyoming's economy is very small and the closing or slowdown at one plant could have a substantial impact upon manufacturing employment in Wyoming.

Data in Table 2 also summarize employment in the service sector. This sector includes retail and wholesale trade, transportation, communication, and utilities, services, finance, insurance, and real estate, and government.

Service employment increased 4.7 percent nationally over the interval May-June 1982 through the same months of 1984. In the plains states, the gain was less than 2.3 percent. Minnesota led all states with a 4.5 percent jump in services, followed by South Dakota with a 3.7 percent gain. Nebraska service employment increased 3.2 percent. Missouri, North Dakota, and Kansas recorded growth rates below the plains states average, while Iowa recorded a decrease of 0.5 percent.

Nationally, mining and construction employment has not maintained pace with total employment. This is an unusual twist--

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in most recovery periods construction is one of the first industries to lead the way in the upturn. The mining component affects this sector's overall rate of growth; the decline in natural resource prices has adversely impacted employment in mining.

On the plains, mining and construction employment has increased more rapidly than total employment. Minnesota and Iowa led the plains states with substantial gains in mining and construction employment (Table 2). Minnesota has recorded 12.1 percent and Iowa 11.3 percent growth in mining and construction employment. South Dakota has experienced a gain in mining and construction employment of 6.4 percent, which was above the plains average growth of 5.2 percent. All other states in the area were below the average for the plains. Kansas recorded a 1.9 percent increase in mining and construction employment. Missouri, Nebraska, and North Dakota recorded declines in employment in this sector.

CONCLUSION

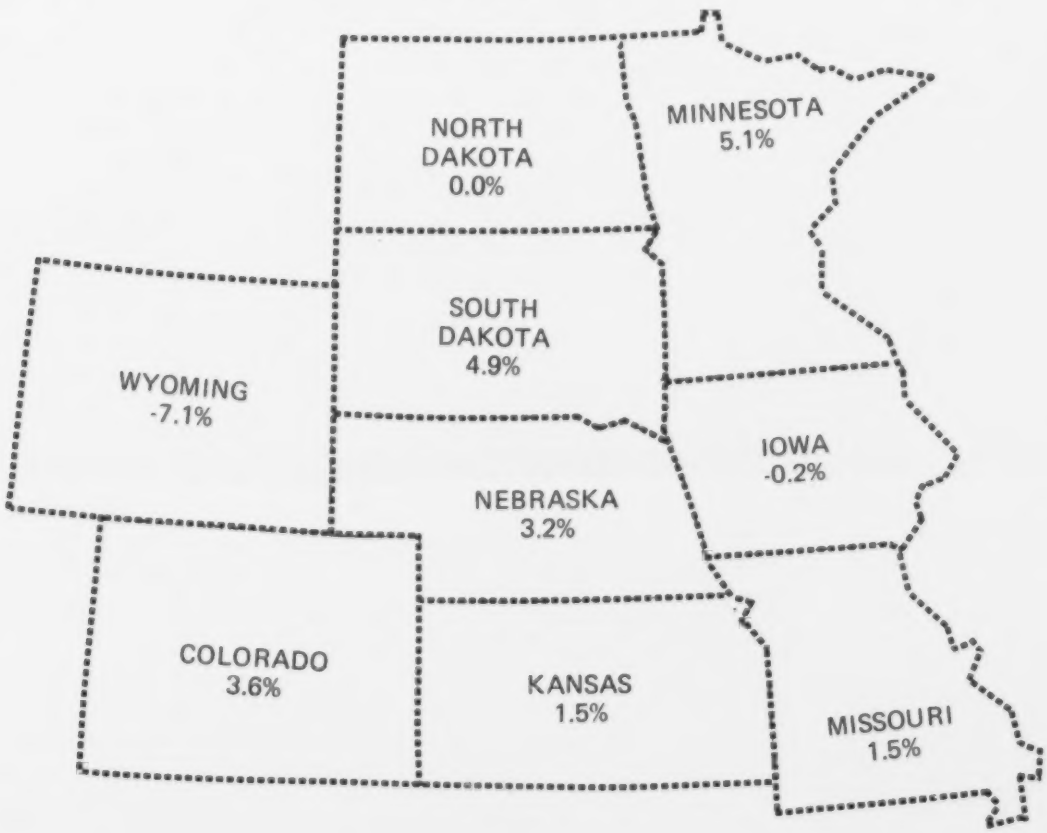
Recovery from the 1982-1984 recession has been slower in the plains states than nationally. Total employment expanded 2.4 percent in the plains states, compared with 4.5 percent nationally. Among the plains states, the pace of recovery has been greater in Minnesota than elsewhere. Nebraska did better than the plains states with a 3.2 percent increase in total employment, but trailed the United States growth rate.

Service employment is lagging in the plains states, a matter of concern since service employment has been a leading growth sector. Manufacturing employment, however, is expanding more rapidly in the plains states than nationally.

Diversification of the economy is an important factor in determining the extent of employment recovery. The larger, more diverse states of Minnesota and Colorado are doing better than the smaller, less stratified states of the region.

DONALD E. PURSELL

Chart 1
Change in Employment
May-June 1982 through May-June 1984
(in percent)



Plains Average = 2.4%

Review and Outlook

Nebraska's real output declined 0.8 percent July-August 1984. Agriculture and construction dropped, while manufacturing and trade advanced.

The Bureau of Business Research's net physical volume index for agriculture plummeted 13.1 percent on a month-to-month basis. This fall resulted from a large decrease in cash farm marketings August 1984 compared with August 1983. Marketings were down, but prices received by Nebraska's producers actually increased 1.6 percent on a year-to-year basis.

In contrast to the decline in the agriculture sector, the nonagriculture sector increased 1.1 percent July-August 1984. Construction recorded a 1.1 percent decrease, manufacturing a 1.5 percent gain, distributive trade a 1.2 percent rise, and government a 0.6 percent jump.

Final August 1984 retail sales were not available as this was written. Preliminary indications are that sales rose from a year ago. Nonmotor vehicle sales were up more than vehicle sales. It is of interest that motor vehicle prices have advanced more rapidly than nonmotor vehicle prices. The commodity component of the consumer price index is up 2.9 percent on a year-to-year basis, while the motor vehicle price index is up 11.5 percent. Restrictions on Japanese automobile sales may have had a substantial impact upon vehicle prices of both domestic and imported vehicles.

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ECONOMIC INDICATORS: NEBRASKA AND UNITED STATES

1. CHANGE FROM PREVIOUS YEAR

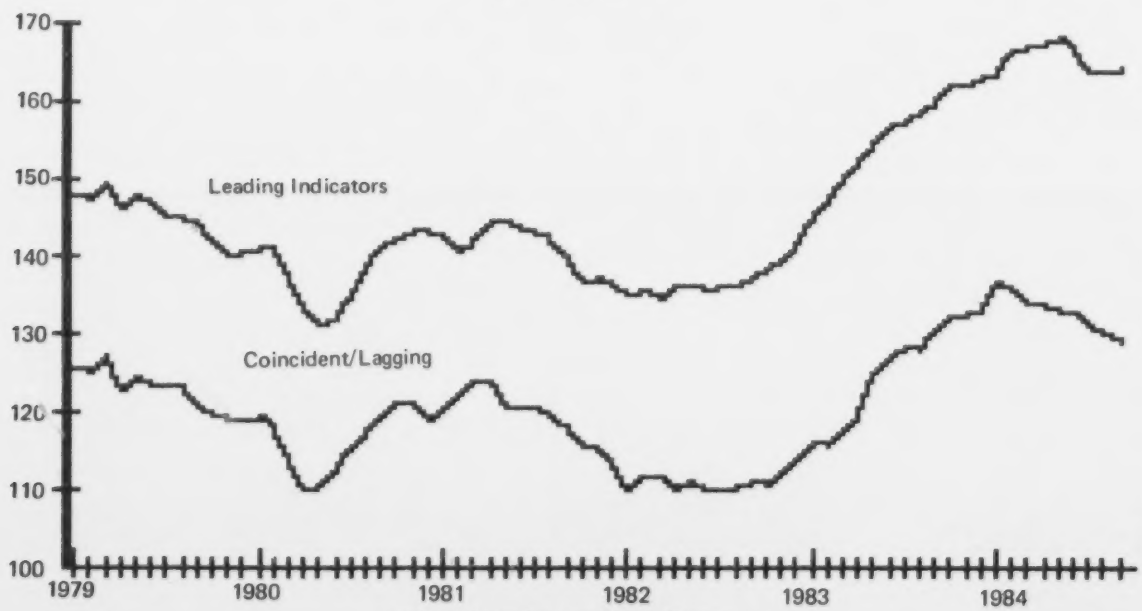
August 1984	Current Month as Percent of Same Month Previous Year		1984 to date as percent of 1983 to date	
Indicator	Nebraska	U.S.	Nebraska	U.S.
Dollar Volume	107.0	108.8	105.5	110.5
Agricultural	94.2	96.3	89.7	96.3
Nonagricultural	108.6	109.2	108.0	110.9
Construction	107.0	112.1	129.0	119.7
Manufacturing	112.5	110.7	115.7	114.5
Distributive	106.9	109.2	103.3	109.9
Government	111.4	105.8	113.1	106.6
Physical Volume	102.8	104.9	100.8	106.0
Agricultural	92.7	93.4	85.9	89.3
Nonagricultural	104.3	105.3	103.5	106.5
Construction	103.9	108.9	124.6	115.6
Manufacturing	109.7	108.4	112.2	111.3
Distributive	102.5	104.7	99.0	105.3
Government	103.7	100.8	104.4	100.4

2. CHANGE FROM 1967

Indicator	Percent of 1967 Average	
	Nebraska	U.S.
Dollar Volume	368.7	425.5
Agricultural	286.0	327.2
Nonagricultural	381.0	428.7
Construction	306.6	415.0
Manufacturing	386.3	331.3
Distributive	379.1	483.5
Government	431.4	431.9
Physical Volume	127.7	144.2
Agricultural	114.4	124.9
Nonagricultural	129.7	144.9
Construction	88.6	120.0
Manufacturing	155.4	130.3
Distributive	121.1	154.5
Government	154.1	148.3

The distributive indicator represents a composite of wholesale and retail trade, transportation, communication, and utilities, finance, insurance, and real estate, and services. The physical volume indicator represents the dollar volume indicator adjusted for price changes—see Table 5, page 5.

United States



Index of Twelve Leading Indicators
Ratio, Coincident to Lagging Indexes
1967 = 100

(continued from page 4)

The Nebraska economy has two strikingly different components. The metropolitan areas of Lincoln and Omaha are expanding, but the nonmetropolitan areas have grown little in the past year. Gains in employment, retail sales, and income are concentrated in the metro areas.

The growth recorded in the metro areas will likely slow in 1985 because real output and employment growth is slowing nationally. The chart on page 4 shows the leading economic indicators series and the ratio of coincident to lagging indicators. The series of leading indicators frequently turns before the economy. As the chart indicates, the series turned down in the second quarter of 1984.

The ratio of coincident to lagging indicators frequently moves before the leading indicators series. It turned down in January of 1984 and was followed by the composite series of leading economic indicators.

These two factors forecast a slowdown in growth. Employment and real income gains are likely to be limited in 1985.

The implications for Nebraska are many and varied. With smaller national income and employment gains consumers will eat less beef, which could impact Nebraska's ranchers. A slower expansion of the national economy will also affect the growth of wage and salary payments in the metropolitan parts of the state.

The slowdown is not without its favorable aspects, however, because interest rates are expected to decline further in 1985 as the economy's rate of growth falls. On balance, 1985 will likely be a less favorable year for Nebraska than 1984. The metropolitan components of the state's economy will continue to expand, but at a lower rate. Little change is foreseen in the nonmetropolitan regions of the state's economy. Grain and livestock prices will be largely unchanged compared to 1984 prices. A decline in interest rates, however, will be a positive factor influencing all sectors of the Nebraska economy.

A recession can be avoided in 1985 if the Federal Reserve establishes a more expansionary monetary policy. Since inflation is not a serious threat and the Federal Reserve has maintained tight control over the money supply, a less restrictive policy in the coming twelve months is possible. An accommodative monetary policy may be sufficient to avoid a recession in 1985. The chances of a recession in 1985 are now rated at one in three.

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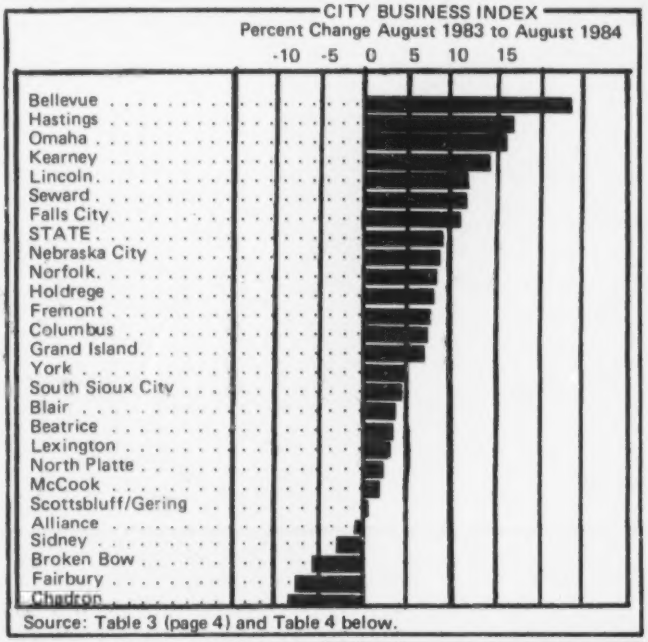

Source: Table 3 (page 4) and Table 4 below.

4. CITY BUSINESS INDICATORS

The State and Its Trading Centers	Percent of Same Month a Year Ago		
	Employment[1]	Building Activity[2]	Power Consumption[3]
The State	100.6	119.9	96.3
Alliance	97.8	57.4	104.0
Beatrice	99.9	52.2	105.7
Bellevue	101.2	115.5	98.7
Blair	99.9	88.6	91.3
Broken Bow	100.4	48.8	104.5
Chadron	102.6	9.0	83.8
Columbus	100.4	121.9	95.5
Fairbury	100.9	28.3	90.8
Falls City	99.5	167.8	98.6
Fremont	100.4	264.5	91.3*
Grand Island	100.1	95.0	114.1
Hastings	100.6	432.7	92.7
Holdrege	99.8	85.1	72.4
Kearney	101.4	191.1	100.5
Lexington	100.2	168.9	90.2
Lincoln	101.3	93.6	96.5
McCook	98.4	141.6	98.1
Nebraska City	100.1	219.9	84.1
Norfolk	100.3	137.0	92.4
North Platte	101.4	67.8	96.8
Omaha	101.2	142.9	97.3
Scottsbluff/Gering	100.4	64.8	84.5
Seward	100.9	241.8	91.0
Sidney	98.9	34.7	89.4
So. Sioux City	99.5	144.8	113.4
York	100.5	69.4	96.3

[1] As a proxy for city employment, total employment for the county in which a city is located is used.

[2] Building Activity is the value of building permits issued as spread over an appropriate time period of construction. The U.S. Department of Commerce Composite Construction Cost Index is used to adjust construction activity for price changes.

[3] Power Consumption is a combined index of consumption of electricity and natural gas except in cases marked * for which only one is used.

Source: Compilation by Bureau of Business Research from reports of private and public agencies.

5. PRICE INDEXES

August 1984	Index (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices	313.0	104.2	104.3
Commodity component	281.4	102.9	103.6
Wholesale Prices	310.9	102.0	103.0
Agricultural Prices			
United States	262.0	103.1	107.8
Nebraska	250.0	101.6	104.6

*Using arithmetic average of monthly indexes.
Sources: Consumer and Wholesale Prices: U.S. Bureau of Labor Statistics; Agricultural Prices: U.S. Department of Agriculture.

ECONOMIC PROJECTIONS FOR THE STATE OF NEBRASKA: 1984-1995

The Bureau of Business Research has recently completed a study projecting the state's economy from 1984-1995. Annual forecasts for gross state product, personal income, and employment are contained in the report. Gross state product is projected by sector. (Sectors included are agriculture, mining, construction, manufacturing, trade, finance, insurance, and real estate, transportation, communication, and utilities, services, and government.)

Some of the highlights of the report include:

*The Nebraska economy of the 1990s will closely resemble the Nebraska economy of 1984. Change will be slow and nearly imperceptible.

*The Nebraska economy is expected to expand at approximately 3.25 percent per year in terms of real output 1984-1995, about the same rate established 1960-1983.

*The Nebraska economy will continue to grow more slowly than the national economy over the eleven years 1984-1995.

*Manufacturing and services will continue to increase as a proportion of gross state output, with agriculture and construction declining to steady 1984-1995.

*If Nebraska is to grow more rapidly than the nation (as it did in the 1970s) over the next eleven years, agriculture exports will have to increase above current levels—an event considered unlikely in the judgment of the forecasters. This element of the forecast is subjective, since it is impossible to forecast worldwide weather conditions.

*Real personal income increased 3.7 percent in the 1960s in Nebraska, compared with 4.4 percent nationally. In the 1970s, growth rates dropped to 1.7 percent for Nebraska and 2.4 percent per year for the United States.

*Output from the Nebraska economy during the 1960s and 1970s has slowly tilted toward manufacturing and services, away from agriculture and construction.

*Nebraska's gross state product increased more rapidly than United States gross national product in the 1970s, but it recorded slower growth in the 1960s than gross national product.

The report was prepared for the Citizens Commission for the Study of Higher Education. Copies of the report are available from the Bureau of Business Research for $15.00. This charge is necessary to cover reproduction and distribution costs. Checks should be payable to the Bureau of Business Research.

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